

1992

A faint, golden line drawing of Leonardo da Vinci's Vitruvian Man is centered in the background. The figure is inscribed within a circle and a square, with arms and legs extended to the edges. The word "Annual" is written in a large, elegant, golden cursive script across the middle of the figure.

# *Annual*

# Report



Washington State  
Health Care Authority

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*Mission: provide access to quality, affordable health care coverage*

# Overview of the Health Care Authority

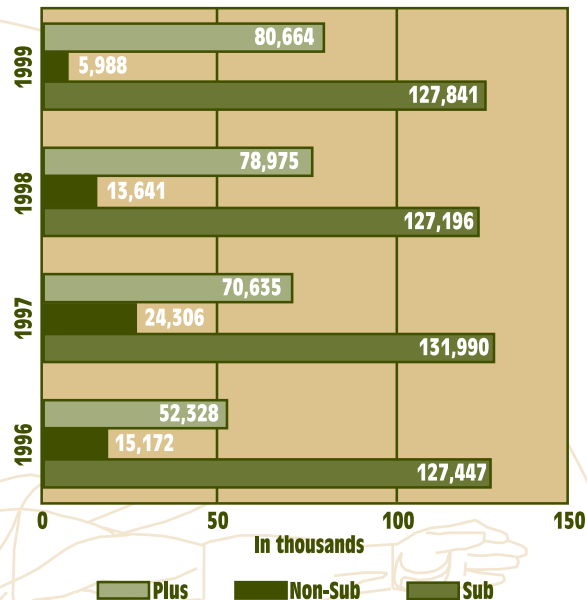
OVER THE past decade, the Health Care Authority (HCA) has made Washington a leader in progressive purchasing methodologies. As the health care industry suffered through its most tumultuous year ever, the HCA has drawn together health plans, health providers, and policy makers to determine the best ways to purchase and provide health care coverage to Washington residents in the new millennium.

Over half a million Washington residents receive health care coverage through the assistance of the HCA and its various programs:

► **BASIC HEALTH** is a state-sponsored health care coverage program designed for low-income residents who are not eligible for Medicare. Members pay a portion of their monthly premium cost, which

varies depending on income, age, family size, and choice of health plan. The state subsidizes most enrollee premiums on a sliding scale basis, through taxes collected on cigarettes and alcohol. Nearly 130,000 residents receive subsidized coverage through Basic Health.

## Basic Health Enrollment



*Main thing: the customer*

## ► PUBLIC EMPLOYEES BENEFITS BOARD (PEBB)

programs provide medical and dental care coverage to state

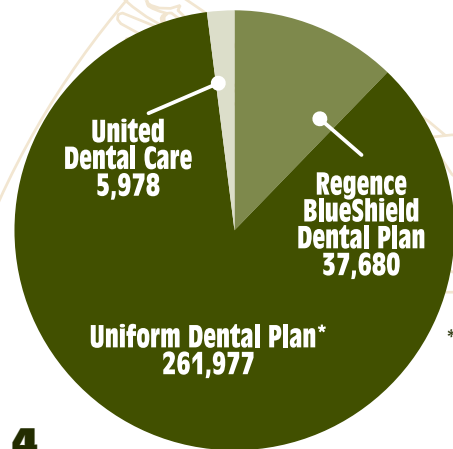
employees, retired state employees and teachers, as well as other small groups of public employees

including some school districts and political subdivisions. In all, over 300,000 Washington residents receive their health coverage through PEBB programs.

► **UNIFORM MEDICAL PLAN (UMP)** is a self-insured, preferred provider plan administered by the HCA. Designed to be an alternative to managed care, it is the only preferred provider plan available to

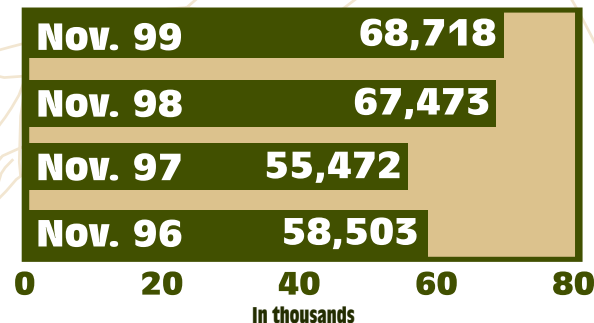
PEBB enrollees. The UMP network is one of the largest in the state, and includes most physicians, hospitals, and other health care facilities. During 1999, over 65,000 PEBB enrollees were covered by UMP.

## PEBB Dental Plan Enrollment (Nov. 1999)



\* PEBB members who are enrolled, but have not yet chosen a dental plan, are automatically enrolled to the Uniform Dental Plan. There are 357 "no plan" members included in this enrollment figure.

## UMP Enrollment Growth (total members)



► **COMMUNITY HEALTH SERVICES (CHS)** promotes access to prevention and illness care for underserved and uninsured low-

income populations in Washington State. The program distributes more than \$6 million annually to 32 community clinics

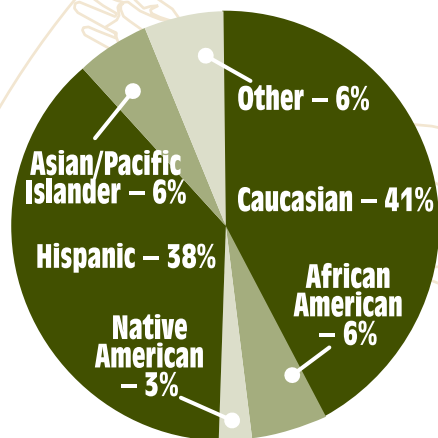
around the state. In turn, those clinics use the funds to help provide health care to 250,000 Washington residents and dental services to more than 94,000.

The recipients of clinic services are ethnically diverse.

► **HEALTH POLICY, RESEARCH AND DEVELOPMENT (HPRD)** has been instrumental in leading the state toward innovative purchasing and quality innovations including the lead role in the multiple agency effort to develop an Outpatient Prospective Payment System; health status risk adjustment;

and a nationally recognized survey of PEBB enrollees to provide them with data on the plans that contract with the HCA to provide health care coverage.

### CHS: Ethnicity of Clinic Populations



*We have a work environment which promotes mutual respect; positive, open communication; and employee potential.*

# Health Plans Offered for Enrollees

(as of November 30, 1999)

Health Plans	PEBB Total Enrollees	Basic Health Total Enrollees
Aetna U.S. Healthcare Inc.	7,684	Not Offered
Aetna U.S. Healthcare of Washington <sup>1</sup>	4,897	22,481
Clark United Providers	Not Offered	6,320
Community Health Plan of WA	398	58,614
Group Health Cooperative	74,323	35,938
HealthPlus <sup>2</sup>	8,982	Not Offered
Kaiser	5,410	10,557
Kitsap Physicians Service <sup>1,3</sup>	4,008	Not Offered
Medicare Supplement Plan E	1,577	Not Offered
Medicare Supplement Plan J	5,439	Not Offered
No Plan <sup>4</sup>	343	Not Applicable
NW WA Medical Bureau	5,859	10,162
Options Health Care	6,413	Not Offered
PacifiCare of Washington	20,440	Not Offered
Premera Blue Cross <sup>5</sup>	17,325	40,400
Providence Health Plans <sup>1</sup>	1,483	Not Offered
Qual-Med Health Plan <sup>1</sup>	28,266	5,274
Regence BlueShield <sup>1</sup>	45,462	28,950
RegenceCare	4,360	Not Offered
Uniform Medical Plan	68,718	Not Offered
<b>Total</b>	<b>311,387</b>	<b>218,696</b>

<sup>1</sup> Withdrew from the PEBB program for 2000.

<sup>2</sup> Changed its name to Premera HealthPlus for 2000.

<sup>3</sup> Changed its name to KPS Health Plans in 1999. KPS Health Plans withdrew from the Basic Health program in October 1999, and members were enrolled in another plan in their county.

<sup>4</sup> PEBB members who are enrolled, but have not yet chosen a medical plan.

<sup>5</sup> Changed its name to Premera Blue Cross/MSK for 2000 (PEBB only).

# Quality Developments

THE HCA HAS always focused on quality in the delivery of health care to its enrollees. Since taking office, Governor Gary Locke has emphasized quality on a statewide basis, urging state government to hear taxpayer demands for improved services and increased efficiencies.

Each quarter, the Governor's Office publishes *Governing for Results*, which highlights state agency efforts to improve government services. Since its first publication in December 1997, a total of 12 HCA quality improvement projects have been listed, including seven projects in 1999:

▶ "First call resolution" customer service for Basic Health;

▶ Improvement and expansion of the Consumer Assessment of Health Plans Survey;

▶ Improvements to the contracting process with health plans;

▶ Reduction in the number of forms for Medicare+Choice enrollees;

▶ Use of the HCA Web site to coordinate multiple agency communications regarding the Outpatient Prospective Payment System;

▶ Expediting the Basic Health appeals process for non-payment suspensions; and

▶ Conducting Uniform Medical Plan focus groups and implementing a number of their suggested changes to improve service and information.

The HCA quality improvement projects singled out by the Governor in 1999

saved taxpayers a total of over \$250,000, as well as \$17,000 in savings to others. The projects also reduced staff time by 6,300 hours. Since Gov. Locke began the program in 1997, 28 HCA initiatives have been submitted, resulting in savings of more than \$527,000 and 11,000 staff hours.

*We use resources efficiently and effectively to earn public trust.*

# Critical Issues

FOR BOTH Basic Health and PEBB, the HCA was faced with two main critical issues in 1999: the costs for providing health care coverage increased dramatically, while access to health plans and providers decreased.

The 1999 managed care plans' rates increased 11.1 percent for the PEBB active

employees; 31.2 percent for PEBB retirees; 9.1 percent for subsidized Basic Health members; and 61 percent for Basic Health's nonsubsidized members over the 1998 rates. These increases reflected several changes:

- Higher costs in providing coverage for prescription drugs;
- Increased utilization in medical services, particularly outpatient;

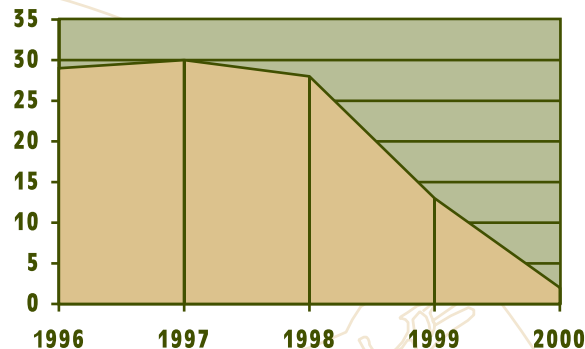
► Provider demands for higher reimbursement;

► Financial losses incurred by the managed care plans;

► Better educated consumers demanding more from health plans;

► The problems in Washington's health insurance market forced some plans to merge, drop public programs, or leave the state; and

## Basic Health: Number of Counties with At Least Four Plans Available



► Advancements in medicine allow more conditions to be treated.

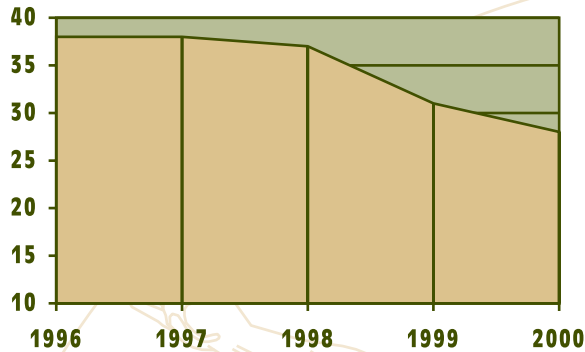
In addition, some plans discontinued participation in rural areas, limiting options

for members and providers. This left the PEBB program with 16 health plans to contract with in 1999 (versus 17 in 1998), and Basic Health with 10 plans in 1999 (versus 14 in 1998).

*We listen and respond to our customers.*



## PEBB: Number of Counties with At Least Four Plans Available



For 2000, the HCA faced further rate increases ranging from 8.8 to 16.4 percent for both programs, while the number of health plans dropped again—to 11 for PEBB, and nine for Basic Health.

In 1999, the HCA started meeting regularly with the Department of Social and Health Services'

Medical Assistance Administration (MAA), health plans, provider groups, and representatives of labor, hospitals, and medical groups, to start re-evaluating its approach to purchasing health care coverage for 2001. Through several agency, inter-agency, and advisory groups, the HCA staff are soliciting input and developing workable solutions to

increase health plan participation with its two programs; increase provider network stability; and lower or maintain health plan costs to the state and the HCA's customers.

The HCA will release its Request for Proposals in April 2000 for health plans to bid on the PEBB and Basic

Health programs for 2001. Afterwards, the agency will continue its ongoing dialogues with the MAA, health plans, provider groups, and other stakeholders to continue refining the contracting process toward achieving greater access to high-quality, affordable health care coverage.

*We are a reliable source of information for health policy issues.*

# Revenues, Expenses, and Fund Balance

1997-99 Actuals	PEBB	Basic Health Non-Subsidized	Basic Health Subsidized	General Fund State	Health Care Planning	Total
<b>Revenues</b>						
Premium Charges/Other	\$1,022,920,493	\$52,116,451	\$ 73,205,905	\$ -	\$ -	\$ 1,148,242,849
Direct Appropriations	-	-	308,892,908	13,646,770	2,158,193	324,697,871
Underspend of Appropriations	-	-	-	(2,306)	-	(2,306)
<b>Total Revenues</b>	<b>1,022,920,493</b>	<b>52,116,451</b>	<b>382,098,813</b>	<b>13,644,464</b>	<b>2,158,193</b>	<b>1,472,938,414</b>
<b>Expenditures</b>						
Life/LTD Benefits	10,187,132	-	-	-	-	10,187,132
Dental Benefits	138,163,612	-	-	-	-	138,163,612
Medical Benefits	880,249,790	52,116,451	380,561,997	-	-	1,312,928,238
<b>Subtotal Benefits</b>	<b>1,028,600,534</b>	<b>52,116,451</b>	<b>380,561,997</b>	<b>-</b>	<b>-</b>	<b>1,461,278,982</b>
Community Clinics Grants	-	-	-	12,030,714	-	12,030,714
Agency/Broker Commissions	-	-	193,927	-	-	193,927
Enrollee Recertification	-	-	330,000	-	-	330,000
Administration — Support	14,214,960	2,535,455	17,844,003	556,313	1,643,093	36,793,824
Administration — Direct	1,935,115 <sup>1</sup>	407,623	4,088,103	1,057,437	-	7,488,278
<b>Total Expenditures</b>	<b>1,044,750,609</b>	<b>55,059,529</b>	<b>403,018,030</b>	<b>13,644,464</b>	<b>1,643,093</b>	<b>1,518,115,725</b>

<sup>1</sup> This figure includes the Uniform Medical Plan's (UMP) internal administration only.

<b>1999-2001 Budget</b>	<b>PEBB</b>	<b>Basic Health Non-Subsidized</b>	<b>Basic Health Subsidized</b>	<b>General Fund State</b>	<b>Health Care Planning</b>	<b>Total</b>
<b>Revenues</b>						
Premium Charges/Other	\$1,308,722,652	\$33,496,000	\$ 92,593,000	\$ -	\$ -	\$ 1,434,811,652
Direct Appropriations	-	-	412,542,693	13,192,762	2,158,000	427,893,455
<b>Total Revenues</b>	<b>1,308,722,652</b>	<b>33,496,000</b>	<b>505,135,693</b>	<b>13,192,762</b>	<b>2,158,000</b>	<b>1,862,705,107</b>
<b>Expenditures</b>						
Life/LTD Benefits	13,622,352	-	-	-	-	13,622,352
Dental Benefits	151,228,532	-	-	-	-	151,228,532
Medical Benefits	1,098,426,254	32,534,100	481,183,202	-	-	1,612,143,556
<b>Subtotal Benefits</b>	<b>1,263,277,138</b>	<b>32,534,100</b>	<b>481,183,202</b>	<b>-</b>	<b>-</b>	<b>1,776,994,440</b>
Community Clinics Grants	-	-	-	12,237,490	-	12,237,490
Administration — Support	13,524,810	201,820	10,342,604	506,727	-	24,575,961
Administration — Direct	26,960,450 <sup>2</sup>	760,080	18,110,887	448,545	2,158,000	48,437,962
<b>Total Expenditures</b>	<b>1,303,762,398</b>	<b>33,496,000</b>	<b>509,636,693</b>	<b>13,192,762</b>	<b>2,158,000</b>	<b>1,862,245,853</b>

<sup>2</sup> This figure includes the UMP's internal administration, outside vendor services, and Uniform Dental Plan's (UDP) administration. In 1997-1999, the UMP outside vendor services and UDP administration were included in the Subtotal Benefits.

# HCA Management and Advisory Boards

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ADMINISTRATOR

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**Beau Bergeron**  
DEPUTY ADMINISTRATOR

**Bob Blacksmith**  
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HEALTH SERVICES

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**Judy Lamm**  
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PUBLIC EMPLOYEES BENEFITS  
BOARD PROGRAM

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HEALTH POLICY, RESEARCH  
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**Ida Zodrow**  
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UNIFORM MEDICAL PLAN

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K-12 RETIREE  
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STATE EMPLOYEE  
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BENEFITS MANAGEMENT/  
COST CONTAINMENT  
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COST CONTAINMENT  
REPRESENTATIVE

**Yvonne Tate**  
BENEFITS MANAGEMENT/  
COST CONTAINMENT  
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CHAIR

**Andrea Castell**  
CASTELL & ASSOCIATES

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FORMERLY WITH GROUP  
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